



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF HOLLAND
LUCAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Holland
Lucas County
1245 Clarion Avenue
Holland, Ohio 43528-8394

To the Village Council:

We have audited the accompanying financial statements of the Village of Holland, Lucas County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 13, 2001

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,169,558		\$260,000	\$313,340	\$1,742,898
Special Assessments	1,824		175,409		177,233
Intergovernmental Receipts	205,498	\$114,040		58,725	378,263
Charges for Services	6,481				6,481
Fines, Licenses, and Permits	38,444	55			38,499
Earnings on Investments	180,399			302	180,701
Miscellaneous	70,255	3,885		11	74,151
	<u>1,672,459</u>	<u>117,980</u>	<u>435,409</u>	<u>372,378</u>	<u>2,598,226</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	392,739	32,005			424,744
Public Health Services	6,562				6,562
Leisure Time Activities	23,499				23,499
Community Environment	54,987				54,987
Basic Utility Services	25,000				25,000
Transportation		194,385			194,385
General Government	267,104				267,104
Debt Service:					
Principal Payments			290,599		290,599
Interest Payments			181,511		181,511
Capital Outlay	117,940	23,515		101,589	243,044
	<u>887,831</u>	<u>249,905</u>	<u>472,110</u>	<u>101,589</u>	<u>1,711,435</u>
Total Receipts Over/(Under) Disbursements	<u>784,628</u>	<u>(131,925)</u>	<u>(36,701)</u>	<u>270,789</u>	<u>886,791</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		191,527	42,649		234,176
Transfers-Out	(191,527)			(42,649)	(234,176)
Other Uses	(34,393)		(1,450)	(13,805)	(49,648)
Total Other Financing Receipts/(Disbursements)	<u>(225,920)</u>	<u>191,527</u>	<u>41,199</u>	<u>(56,454)</u>	<u>(49,648)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	558,708	59,602	4,498	214,335	837,143
Fund Cash Balances, January 1	1,795,059	179,508	55,491	300,754	2,330,812
Fund Cash Balances, December 31	<u>\$2,353,767</u>	<u>\$239,110</u>	<u>\$59,989</u>	<u>\$515,089</u>	<u>\$3,167,955</u>
Reserves for Encumbrances, December 31	<u>\$115,180</u>	<u>\$30,425</u>	<u>\$425</u>	<u>\$5,272</u>	<u>\$151,302</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,049,037		\$260,000	\$253,504	\$1,562,541
Special Assessments	1,613		165,902		167,515
Intergovernmental Receipts	104,913	\$109,377		58,500	272,790
Charges for Services	6,982				6,982
Fines, Licenses, and Permits	35,765	274			36,039
Earnings on Investments	114,171			321	114,492
Miscellaneous	69,690	1,950		315	71,955
	1,382,171	111,601	425,902	312,640	2,232,314
Cash Disbursements:					
Current:					
Security of Persons and Property	292,971	39,607			332,578
Public Health Services	7,269				7,269
Leisure Time Activities	30,318				30,318
Community Environment	38,668				38,668
Basic Utility Services	27,030				27,030
Transportation		166,147			166,147
General Government	264,327				264,327
Debt Service:					
Principal Payments			338,360		338,360
Interest Payments			196,430		196,430
Capital Outlay	79,838	42,882		322,789	445,509
	740,421	248,636	534,790	322,789	1,846,636
Total Receipts Over/(Under) Disbursements	641,750	(137,035)	(108,888)	(10,149)	385,678
Other Financing Receipts/(Disbursements):					
Sale of Notes			108,000		108,000
Transfers-In		180,500		97,225	277,725
Transfers-Out	(194,000)			(83,725)	(277,725)
Other Uses	(31,771)		(1,799)	(42,324)	(75,894)
Total Other Financing Receipts/(Disbursements)	(225,771)	180,500	106,201	(28,824)	32,106
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	415,979	43,465	(2,687)	(38,973)	417,784
Fund Cash Balances January 1	1,379,080	136,043	58,178	339,727	1,913,028
Fund Cash Balances, December 31	\$1,795,059	\$179,508	\$55,491	\$300,754	\$2,330,812
Reserves for Encumbrances, December 31	\$96,296	\$15,090	\$425	\$108,899	\$220,710

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Holland, Lucas County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities), road maintenance and repair, refuse pickup, storm sewer maintenance and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Repurchase agreements are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Fund (continued)**

COPS Fast Grant Fund -This fund receives state and federal funding, and is used to provide additional police protection to Village residents.

3. **Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Sanitary Sewer Debt Retirement Fund - This fund receives income tax revenue and sanitary sewer assessments, and is used to accumulate resources for the payment of bonds and note indebtedness.

General Obligation Fund - This fund receives income tax revenue and special assessments, and is used to accumulate resources for the payment of bonds and note indebtedness.

4. **Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Project's Fund - This fund receives income tax revenue. The proceeds are being used to construct a new fire station and to renovate the police building.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$40,212	\$45,921
Repurchase Agreement	<u>3,127,743</u>	<u>2,284,891</u>
Total deposits and investments	<u>\$3,167,955</u>	<u>\$2,330,812</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: The Village and its financial institution have an agreement in which account balances are automatically invested in an overnight repurchase agreement. The financial institution maintains records identifying the Village as owner.

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,600,000	\$1,672,459	\$72,459
Special Revenue	255,017	309,507	54,490
Debt Service	470,579	478,058	7,479
Capital Projects	365,150	372,378	7,228
Total	<u>\$2,690,746</u>	<u>\$2,832,402</u>	<u>\$141,656</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,408,383	\$1,228,931	\$179,452
Special Revenue	313,117	280,330	32,787
Debt Service	474,766	473,985	781
Capital Projects	193,203	163,315	29,888
Total	<u>\$2,389,469</u>	<u>\$2,146,561</u>	<u>\$242,908</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,044,183	\$1,382,171	\$337,988
Special Revenue	260,277	292,101	31,824
Debt Service	525,491	533,902	8,411
Capital Projects	409,706	409,865	159
Total	<u>\$2,239,657</u>	<u>\$2,618,039</u>	<u>\$378,382</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,240,480	\$1,062,488	\$177,992
Special Revenue	300,684	263,726	36,958
Debt Service	537,495	537,014	481
Capital Projects	576,180	557,737	18,443
Total	<u>\$2,654,839</u>	<u>\$2,420,965</u>	<u>\$233,874</u>

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,538,260	7.51% to 8.40%
Special Assessment Bond #1	60,000	7.38%
Special Assessment Bond #2	420,000	7.35%
Capital Lease	59,579	5.20%
Total	\$2,077,839	

The Ohio Water Development Authority (OWDA) loan relates to the installation of a sanitary sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$2,762,878 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$143,222, including interest, over 20 years.

The outstanding special assessment bonds consists of sewer improvement issues and construction of the Holland Business Center. The outstanding capital lease relates to the purchase of a fire truck for the Village's use. The capital lease and special assessment bonds are the direct obligation of the Village for which its full faith, credit and resources are pledged. The special assessment bonds are payable from assessments on the effected properties in the Village, and the capital lease obligation is payable from taxes levied on all property in the Village.

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31:</u>	<u>OWDA Loan</u>	<u>Special Assessment Bond #1</u>	<u>Special Assessment Bond #2</u>	<u>Capital Lease</u>
2001	\$143,221	\$14,425	\$56,080	\$22,012
2002	286,443	13,687	59,230	22,012
2003	286,443	12,950	57,010	22,012
2004	286,443	12,213	54,790	
2005	286,443	11,475	57,570	
Subsequent	828,860	10,737	344,740	
Total	<u>\$2,117,853</u>	<u>\$75,487</u>	<u>\$629,420</u>	<u>\$66,036</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and full-time firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. SUBSEQUENT EVENT

On February 5, 2001, the Village's Council approved the issuance and sale of Hospital Facilities Revenue bonds, Series 2001. The Bonds were issued for the purpose of refunding and retiring certain outstanding indebtedness, financing the acquisition, construction, equipping and installation of certain Hospital Facilities to be operated by the Anne Grady Corporation for the amount of \$4,500,000. The approval authorized the execution and delivery of an agreement of lease and a sublease, a trust indenture to secure the series bonds, and a bond purchase agreement, with the award of the sale to Seasongood & Mayor, LLC. The bonds were issued on April 3, 2001, with the bonds being secured by the property financed, and are payable solely from hospital revenue. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Holland
Lucas County
1245 Clarion Avenue
Holland, Ohio 43528-8394

To the Village Council:

We have audited the accompanying financial statements of the Village of Holland, Lucas County, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 13, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 13, 2001.

Village of Holland
Lucas County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 13, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF HOLLAND

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 24, 2001**